

STATE OF DELAWARE

INVESTMENT COMMITTEE MEETING MINUTES

February 10, 2009

The Investment Committee met at Walker's Mill at 8:30 a.m. on February 10, 2009. Present were Committee members George Saxon, Chair, A. Dale Stratton, Philip S. Reese, Clark Phippen, and Mark Stalnecker. Also present were Robert D. Gooderham, Garry A. Musto, Cynthia Collins, David C. Craik, Wade Sallings, Jeffrey Hoover, Seth J. Yablonovitz and Linda M. Drew. Present for portions of the meeting was Chris Barrish of the *News Journal*.

Minutes of the January 13, 2009 and January 27, 2009 Investment Committee meetings were approved as presented.

Mr. Reese reported that Mr. Saxon has been elected by the Board to be chair of the Investment Committee. Mr. Saxon was previously investment committee chairman of DuPont Capital Management, when the firm managed approximately \$18 billion. Mr. Saxon replaces Ms. Jan King, former Vice President and Treasurer of Hercules, Inc., who will remain a member of the Investment Committee.

Mr. Gooderham distributed copies of his update on Risk Management Benefits, stating that although most asset classes experienced weak returns in January, the Fund outperformed its benchmark by approximately 300 basis points. Due to specific portfolio actions taken since the fall of 2007, the Fund was better off by \$274.1 million relative to a static portfolio. Relative to the blended index used to benchmark the Fund, \$304 million, or 4.1% of the Fund's October 2007 balance was saved.

Turning to the market review section of the fourth quarter Investment Review which had been circulated in advance, Mr. Gooderham described market trends in the fourth quarter. Following the dramatic failure of Lehman Brothers in September, markets fell precipitously into November as the banking system teetered, consumers pulled back and levered investors were forced to liquidate. The U.S. equity markets were characterized by negative returns and extreme volatility with little differentiation between growth and value in the quarter. International markets also fell substantially with emerging markets the weakest sector.

In response to a question from the Committee regarding the impact of the new administration on regulatory issues, Mr. Yablonovitz stated that many hedge fund managements anticipate a new regulation requiring hedge funds to register with the SEC, but not a requirement for the public disclosure of short positions. Given hedge fund performance and redemptions in 2008, investors are requesting, and sometimes getting changes in hedge fund fees and liquidity terms.

In response to a question from Mr. Reese, Mr. Gooderham noted that TUCS comparative performance data for the period ended 12/31/08 placed Delaware in the top quartile of a universe of other public funds for the quarter, one year, three year and ten year periods.

Mr. Reese moved, Ms. Stratton seconded, and the Committee unanimously approved a motion to enter Executive Session at 9:10 a.m. to consider sensitive commercial information, proprietary business information, trade secrets and confidential financial information.

The Committee returned to public session at 12:30 p.m. by unanimous vote, on the motion of Mr. Reese, seconded by Ms. Stratton.

At this point Mr. Barrish rejoined the meeting.

There being no further business to come before the Committee, the meeting was, on the motion of Ms. Stratton, seconded by Mr. Reese and unanimously approved, adjourned at 12:30 p.m.

Respectfully submitted,

/S/Robert D. Gooderham

Robert D. Gooderham
Executive Secretary

/S/George Saxon
George Saxon, Chairperson